

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1882 - HB 2398

February 14, 2016

SUMMARY OF BILL: Requires the Bureau of TennCare to incorporate a medication therapy management (MTM) program provided by pharmacists into all of its healthcare delivery systems within the TennCare program in order to improve patient outcomes and control costs in a manner consistent with the Bureau's authority concerning pharmacy services. Requires each managed care organization (MCO) or pharmacy benefit manager (PBM) that participates in the TennCare program to administer an MTM program that meets or exceeds the program standards and eligibility established by the Bureau. Requires an MCO administering an MTM program to pay additional compensation to pharmacists for MTM services and to contract with pharmacists independent of dispensing or other components. Authorizes the Bureau, or its MCOs, to enroll individual pharmacists as providers under their Medicaid provider program, for purposes of reimbursement for MTM services.

Medication therapy management services are direct patient care services by a pharmacist practicing in this state, to optimize the therapeutic outcomes of the patient's medications. These services may include the following, according to the individual needs of the patient:

- performing or obtaining necessary assessments of the patient's health status;
- selecting, initiating, modifying, or administering medication therapy;
- monitoring and evaluating the patient's response to therapy, including safety and effectiveness;
- performing a comprehensive medication review to identify, resolve, and prevent medication-related problems, including adverse drug events;
- documenting the care delivered and communicating essential information to the patient's other primary care providers;
- providing verbal education and training designed to enhance patient understanding and appropriate use of the patient's medications;
- providing information support service and resources designed to enhance patient adherence with the patient's therapeutic regimens, such as medication synchronization;
- coordinating and integrating medication therapy management services within the broader healthcare management service being provided to the patient; and
- such other patient care services as may be allowed by law.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures -- \$4,750,700/FY17-18 and Subsequent Years

Increase Federal Expenditures -- \$8,835,800/FY17-18 and Subsequent Years

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Assumptions:

- The Bureau of TennCare would not be able to administer an MTM program without hiring additional staff due to required administrative changes that would require additional provider registrations, contracting, network arrangements, audits and infrastructure changes.
- The Bureau will need to hire three Pharmacists and six Certified Pharmacy Technicians.
- The recurring increase in expenditures associated with the additional Pharmacists positions is estimated to be \$479,684 (\$375,000 salaries + \$104,684 benefits).
- According to the Bureau, the Pharmacist positions will receive a federal match rate of 75 percent; the state funding will be 25 percent. Of the \$479,684 costs, \$119,921 will be state funds and \$359,763 will be federal funds.
- The recurring increase in expenditures associated with the additional Certified Pharmacy Technicians is estimated to be \$274,813 (\$192,000 salaries + \$82,813 benefits).
- According to the Bureau, the Certified Pharmacy Technician positions will receive a federal match rate of 50 percent; the state funding will be 50 percent. Of the \$274,813, \$137,407 will be state funds and \$137,407 will be federal funds.
- During calendar year 2015, TennCare paid 677,408 pharmacy claims for enrollees for medications and supplies that are considered to be maintenance medications.
- The estimate assumes \$52 for a first encounter problem and \$34 for follow-up encounters, and each member only using one medication and only being treated for one disease state.
- All members on maintenance medications would lead to 677,408 initial encounters resulting in an increase in TennCare reimbursements of \$35,225,216 (677,408 enrollees x \$52) per year. Three additional quarterly follow-up encounters for each enrollee with maintenance medications totaling \$69,095,616 per year (677,408 enrollees x 3 quarterly follow-ups x \$34).
- The total increase in TennCare reimbursements for a one year period for all 677,408 enrollees is estimated to be \$104,320,832 (\$35,225,216 + \$69,095,616).
- The Bureau of TennCare estimates, under the proposed legislation, that 10 percent of members using chronic medications would be referred by their primary care provider and enroll in the program.
- If 10 percent of eligible members using maintenance medications were referred and enrolled in MTM services, the total expenditures are estimated to be \$10,432,083 (\$104,320,832 x 10.0%).
- The Bureau estimates an increase in recurring expenditures of \$2,400,000 to employ the services of a vendor to assist the Bureau with the administration of an MTM program. This estimate is based on the cost of contracting with a vendor for an MTM program in another state with a similar volume of covered lives.
- Medicaid expenditures receive a federal match rate estimated to be 64.983 percent. The state funding will be 35.017 percent.
- The total recurring expenditures for the maintenance medications and vendor are estimated to be \$12,832,083 (\$10,432,083 + \$2,400,000). Of this amount, \$4,493,411 will be state funds and \$8,338,672 will be federal funds.

- The total recurring increase in state expenditures beginning in FY17-18 is estimated to be \$4,750,739 (\$119,921 + \$137,407 + \$4,493,411); and the recurring increase in federal expenditures is estimated to be \$8,835,842 (\$359,763 + \$137,407 + \$8,338,672).
- Any decrease in state or federal expenditures as a result of improved outcomes for the impacted Medicaid population resulting from the implementation of an MTM program is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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